

**MISSOURI HEALTH AND EDUCATIONAL
FACILITIES AUTHORITY**

**FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
FOR THE
YEARS ENDED DECEMBER 31, 2010 AND 2009**

Missouri Health and Educational Facilities Authority

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Missouri Health and Educational Facilities Authority
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2010 and 2009

This section of the Missouri Health and Educational Facilities Authority (the “Authority”) annual financial report presents management’s discussion and analysis of the Authority’s operations and financial position during the fiscal years ended December 31, 2010 and 2009. This analysis should be read in conjunction with the independent auditors’ report, financial statements, notes to the financial statements and supplementary information.

BACKGROUND ON THE AUTHORITY

The Health and Educational Facilities Authority of the State of Missouri was created by an Act of the Missouri General Assembly and became operational in 1979. The Authority is a self-supporting entity under the Office of Administration of the State of Missouri. No taxing power exists and no appropriations or other State support are received by the Authority. It is empowered to make loans to any qualified health or educational institution and to refund outstanding obligations, mortgages or advances issued, made or given for the cost of the facilities. The Authority’s transactions are accounted for in a single enterprise fund which is a type of proprietary fund that maintains operations similar to private business enterprises.

The Authority assists Missouri not-for-profit and governmental institutions in borrowing funds at the lowest possible cost to provide quality medical and educational services to Missouri residents. Interest paid on Authority bonds and notes is exempt from Federal and Missouri state income taxation, resulting in materially lower interest rates for substantial savings on financing cost. Many types of health care and education institutions across the state arranged for health facilities ranging from fewer than 100 to over 1,000 beds, including acute and primary care facilities, teaching centers, medical research institutions, osteopathic hospitals, retirement and nursing homes, specialized care centers and alcoholic rehabilitation treatment centers with Authority issued financing. Educational financings include public universities, liberal arts colleges, major research universities and medical schools, institutions of specialized instruction, public school districts, private elementary and secondary schools and charter schools.

During 1985, the Authority became authorized to assist public school districts and community colleges with loans to fund shortfalls in operating funds during the school year.

In 1988, the Authority issued a series of bonds designed to assist organizations that provide care for persons affected by mental disabilities.

During 1995, the Authority was charged with developing guidelines for and the administration of the Direct Deposit Program, which provides strong credit ratings for Missouri school districts. The Authority also developed the HELP Program which provides low interest loans to small health care and educational facilities.

The Authority’s bonds and notes do not constitute a debt or liability of the State of Missouri or any political subdivision thereof, within the meaning of any State constitutional provision or statutory limitation. The credit supporting any Authority note or bond issue is the credit of the individual borrowing institution. The bonds and notes are limited obligations of the Authority payable solely from payments made by the borrowing institution.

Missouri Health and Educational Facilities Authority
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2010 and 2009
(Continued)

FINANCIAL HIGHLIGHTS

- The Authority's total net assets increased by \$444,585 from 2009 to 2010 and \$456,055 from 2008 to 2009.
- During the year ended December 31, 2010, the Authority's total revenues exceeded expenses by \$444,585. The Authority had operating expenses of \$837,168 in 2010 compared to \$848,001 in 2009 and operating revenues of \$1,210,789 compared to \$1,134,956 for those same years.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three basic statements presented within the financial report are as follows:

- **Balance Sheet** – This statement presents information reflecting the Authority's assets, liabilities and net assets. Net assets represent the amount of total assets less total liabilities. The balance sheet is categorized as to current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or become due within one year of the statement date.
- **Statement of Revenues, Expenses and Changes in Net Assets** – This statement reflects the operating revenue, expenses, and non-operating revenue during the year. Operating revenue is from administrative fees charged to health care and educational institutions. The change in net assets for an enterprise fund is similar to net profit or loss for any other business enterprise.
- **Statement of Cash Flows** – The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease for the year.

The following summarizes the financial position of the Authority for the years ended December 31, 2010 and 2009.

ASSETS			
	2010	2009	Increase (Decrease) 2010 vs 2009
Current assets	\$ 7,339,313	\$ 7,097,778	\$ 241,535
Noncurrent assets	<u>2,929,619</u>	<u>2,748,368</u>	<u>181,251</u>
Total Assets	<u>\$ 10,268,932</u>	<u>\$ 9,846,146</u>	<u>\$ 422,786</u>

LIABILITIES AND NET ASSETS			
Current liabilities	\$ 135,516	\$ 157,315	(\$ 21,799)
Net assets	<u>10,133,416</u>	<u>9,688,831</u>	<u>444,585</u>
Total Liabilities and Net Assets	<u>\$ 10,268,932</u>	<u>\$ 9,846,146</u>	<u>\$ 422,786</u>

Missouri Health and Educational Facilities Authority
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2010 and 2009
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The following summarizes the results of operations of the Authority for the years ended December 31, 2010 and 2009.

	2010	2009	Increase (Decrease) 2010 vs 2009
Operating revenues	\$ 1,210,789	\$ 1,134,956	\$ 75,833
Operating expenses	<u>837,168</u>	<u>848,001</u>	<u>(10,833)</u>
Operating Income	373,621	286,955	86,666
Nonoperating revenue (expense):			
Investment income	<u>70,964</u>	<u>169,100</u>	<u>(98,136)</u>
Change in Net Assets	444,585	456,055	(11,470)
Total Net Assets - Beginning of Year	<u>9,688,831</u>	<u>9,232,776</u>	<u>456,055</u>
Total Net Assets - End of Year	<u>\$ 10,133,416</u>	<u>\$ 9,688,831</u>	<u>\$ 444,585</u>

ANALYSIS

Over 82% of operating revenue comes from annual service fees paid by borrowers as a result of having previously taken advantage of financing opportunities offered by the Authority. Total outstanding transactions continue to increase and demand for new transactions is very strong. The Authority is confident that while its fees and interest rates are low compared to similar issuers in other states, the various operating revenue sources are adequate to maintain the operations of the Authority. Interest income on investment of reserves is the other component of total revenue. Interest rates fluctuated during the year with an overall drastic decrease by year end. As such, total investment revenue in 2010 was significantly lower than in 2009.

The Authority issues bonds, notes and leases on behalf of various health systems, stand-alone hospitals, medical research institutions, long term care facilities, higher educational institutions, public school districts, private elementary and secondary schools and educational systems. In 2010, activity was approximately 80% health care and 20% education in terms of dollar volume and 38% and 62%, respectively, in terms of the number of transactions. Historically, activity has been approximately 65% health care and 35% education in terms of dollar volume and 50% each in terms of the number of transactions.

Fiscal year 2010 represented a typical number of financings. The 13 bond and note issues completed in 2010 represented a typical number historically, but was somewhat lower than the ten-year average. The dollar volume of \$771,085,034 was higher than the historic average but slightly lower than the ten-year average as borrower's gained more confidence in the capital markets.

Missouri Health and Educational Facilities Authority
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2010 and 2009
(Continued)

ANALYSIS (Continued)

In addition, the Authority's direct loan HELP Program continues to be a success in providing low cost loans to very small health and education providers and to public school districts.

The Missouri School District Direct Deposit Program finished the June 30, 2010 fiscal year with 170 transactions and \$640,653,145 in school district bonds. The Authority acts as Program Administrator and not issuer; therefore the activity is not recorded in the Authority's financial statements. The program administration fee was \$68,000 for the year ended December 31, 2010 and \$32,400 for the year ended December 31, 2009.

ADMINISTRATION OF AUTHORITY CONDUIT DEBT

As of December 31, 2010, the Authority had outstanding \$7,197,930,932 of conduit debt in bonds, notes and leases. The total amount outstanding continues to grow as more money is borrowed through the capital markets than is paid off through calls, maturities, refundings, etc. which is well within the expectation, scope and purpose of the Authority. Transactions outstanding include publicly placed bonds with various ratings from Standard & Poor's, Fitch and/or Moody's ranging from AAA/Aaa through BBB-/Baa3, publicly placed bonds that are unrated, privately placed unrated bonds and notes with various short term ratings.

More detailed information regarding the outstanding and defeased debt of the Authority can be found in Note G to the financial statements and in the supplemental information section at the back of the financial statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the Authority's finances and to demonstrate its accountability for the monies received. If you have questions about this report or need additional financial information, contact the Authority's Executive Director or Assistant Director at 15450 South Outer Forty Road, Suite 230, Chesterfield, Missouri 63017.



Independent Auditors' Report

To the Members of the
Missouri Health and Educational Facilities Authority
Chesterfield, Missouri

We have audited the accompanying balance sheets of the Missouri Health and Educational Facilities Authority (the "Authority") as of December 31, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Health and Educational Facilities Authority as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages *i - iv* is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Schmersahl Treloar & Co., PC

April 6, 2011

FINANCIAL STATEMENTS

Missouri Health and Educational Facilities Authority
BALANCE SHEETS

ASSETS

	December 31,	
	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,616,055	1,958,956
Investments	225,000	4,541,000
Receivables	26,482	187,745
Notes receivable, current portion	425,680	359,390
Prepaid expenses and other current assets	46,096	50,687
Total Current Assets	<u>7,339,313</u>	<u>7,097,778</u>
NOTES RECEIVABLE	2,920,578	2,735,895
PROPERTY, PLANT, AND EQUIPMENT, net	<u>9,041</u>	<u>12,473</u>
TOTAL ASSETS	<u>\$ 10,268,932</u>	<u>\$ 9,846,146</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 5,089	\$ 12,750
Deferred administrative fee income	<u>130,427</u>	<u>144,565</u>
Total Current Liabilities	<u>135,516</u>	<u>157,315</u>
NET ASSETS		
Unrestricted	<u>10,133,416</u>	<u>9,688,831</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,268,932</u>	<u>\$ 9,846,146</u>

See accompanying notes to financial statements

Missouri Health and Educational Facilities Authority
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

	Years Ended December 31,	
	2010	2009
REVENUE		
Administrative fees	\$ 992,454	\$ 968,051
Interest income - HELP program	125,327	120,505
Direct deposit program fees	68,000	32,400
Application fees and other	25,008	14,000
Total Revenue	1,210,789	1,134,956
OPERATING EXPENSES		
Salaries and fringe benefits	380,591	362,069
Legal and professional fees	240,142	255,332
General and administrative expenses	216,435	230,600
Total Operating Expenses	837,168	848,001
Operating Income	373,621	286,955
NON-OPERATING INCOME		
Investment income	70,964	169,100
CHANGES IN NET ASSETS	444,585	456,055
NET ASSETS, Beginning of year	9,688,831	9,232,776
NET ASSETS, End of year	\$ 10,133,416	\$ 9,688,831

See accompanying notes to financial statements

Missouri Health and Educational Facilities Authority
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from others	\$ 1,259,879	\$ 1,098,560
Cash payments to suppliers for goods and services	(455,717)	(482,548)
Cash paid to employees for services and benefits	(380,591)	(362,069)
Net Change in Cash and Cash Equivalents from Operating Activities	<u>423,571</u>	<u>253,943</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(498)	-
Issuance of notes receivable	(675,557)	(800,000)
Payments received on notes receivable	424,584	329,306
Purchase of investments	(1,974,000)	(5,008,000)
Sale of investments	6,290,000	6,870,453
Investment interest received	<u>174,630</u>	<u>138,007</u>
Net Change in Cash and Cash Equivalents from Investing Activities	<u>4,239,159</u>	<u>1,529,766</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>4,662,730</u>	<u>1,783,709</u>
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,958,956</u>	<u>175,247</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 6,621,686</u></u>	<u><u>\$ 1,958,956</u></u>

**RECONCILIATION OF CHANGES IN NET ASSETS TO NET CHANGE IN CASH FROM
OPERATING ACTIVITIES**

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 373,621	\$ 286,955
Adjustments to reconcile changes in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation expense	3,930	4,176
(Increase) decrease in assets:		
Receivables - operating	57,597	(40,053)
Prepaid expenses	4,591	3,061
Increase (decrease) in liabilities:		
Accounts payable	(7,661)	(3,853)
Deferred administrative fee income	<u>(14,138)</u>	<u>3,657</u>
Net Change in Cash and Cash Equivalents from Operating Activities	<u><u>\$ 417,940</u></u>	<u><u>\$ 253,943</u></u>

See accompanying notes to financial statements

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Missouri Health and Educational Facilities Authority (the "Authority") is a public instrumentality of the State of Missouri intended to provide an additional capital financing method for non-profit and governmental health and educational institutions within the State of Missouri. The Authority may issue tax-exempt revenue bonds, notes or other obligations on behalf of non-profit institutions for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes or other obligations and the interest thereon do not constitute a debt or liability of the Authority, the State of Missouri or any political subdivision thereof, but are special obligations between the investors and the debtors payable solely from the payments received by the trustees under the loan agreements.

The Authority is a related organization to the State of Missouri, and as such, the State is accountable for the Authority.

Reporting Entity

The Missouri Health and Educational Facilities Authority's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 *"The Reporting Entity."* The financial statements include all departments and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organizations other than the Authority itself are included in the financial reporting entity.

Basis of Accounting and Revenue Recognition

The Authority is organized as a proprietary activity; therefore, the accompanying financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recorded when liabilities are incurred. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements and has elected to apply the following pronouncements issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins. The Authority has elected not to follow FASB pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Authority considers cash equivalents to include short-term investments which generally are investments with maturities of 90 days or less when purchased that are both (1) readily convertible to known amounts of cash, or (2) so near their maturity that they present insignificant risk of change in value because of changes in interest rates. Cash includes \$ 6,564,022 of an insured money market account at December 31, 2010.

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash Equivalents (Continued)

The Authority maintains its cash in bank deposits which at times may exceed federally insured limits of up to \$250,000 for each institution. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31.

Accounts and Notes Receivables

The Authority uses the reserve method of accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account, and bad debt expense is determined by adjusting the balance in the allowance account to reserves considered reasonable by management. Management believes that substantially all accounts receivable are collectible and, therefore, has not established an allowance for doubtful accounts at December 31, 2010 or 2009.

Deferred Administrative Fee Income

The Authority's revenues are derived from service fees assessed on a percentage of the outstanding bond principal of each issue. The institutions are generally billed in advance on a quarterly basis and revenues are recognized ratably over the period earned.

Concentration of Credit Risk

\$383,179 of the Authority's notes receivable are uncollateralized obligations of two non-profit institutions. (Note F)

Net Assets

Net assets represent the difference between assets and liabilities and are classified as either: capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets; restricted when there are limitations imposed on their use either by law through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments; and unrestricted for those net assets that do not meet the definition of invested in capital assets, net of related debt or restricted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and deferred income approximates fair value due to the short-term maturities of these instruments.

Property and Equipment

Property and equipment consists mainly of office furniture and equipment recorded at cost. Depreciation expense for fixed assets is recognized on the straight-line method over estimated useful lives ranging from three to seven years. Property and equipment activity was as follows:

	December 31, 2008		December 31, 2009		December 31, 2010
	Balance	Activity	Balance	Activity	Balance
Total capital assets being depreciated	\$ 99,353	\$ -	\$ 99,353	\$ 498	\$ 99,851
Less accumulated depreciation	(82,704)	(4,176)	(86,880)	(3,930)	(90,810)
Total Property and Equipment, net	<u>\$ 16,649</u>	<u>(\$ 4,176)</u>	<u>\$ 12,473</u>	<u>(\$ 3,432)</u>	<u>\$ 9,041</u>

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through April 6, 2011, the date the financial statements were available to be issued.

B. **INVESTMENTS**

The Board has adopted an investment policy which identifies various authorized investment instruments, maturity constraints, investment ratings, and liquidity parameters. Authorized investments include obligations of the United States of America and its agencies; obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service; certificates of deposit which are either insured, secured by specified securities or issued by a bank or other financial institution whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service; repurchase agreements; obligations of banks and other financial institutions whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service and short-term obligations of the Federal National Mortgage Association and Government National Mortgage Association.

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

B. INVESTMENTS (Continued)

At December 31, 2010, the Authority had its investments in Certificates of Deposit with the following annual maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Certificates of Deposit	<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, Missouri Health and Educational Facilities Authority's deposits may not be returned to it. The Authority's Certificates of Deposit are invested either in banks with a rating of AA or AAA or in banks who deposit the funds through the Certificate of Deposit Account Registry Service (CDARS) program. As of December 31, 2010, none of the Authority's Certificate of Deposit balance of \$225,000 was exposed to custodial credit risk as uninsured and uncollateralized.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority holds Certificates of Deposit with maturities generally ranging from three months to two years. The Authority's policy is to hold investments which mature or are redeemable at the option of the holder on a date or date prior to the time when the funds so invested will be required for expenditure.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The Authority's policy is defined by Missouri statute and limits investments to obligations of the United States of America and its agencies; obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service; certificates of deposit which are either insured, secured by specified securities or issued by a bank or other financial institution whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service; repurchase agreements; obligations of banks and other financial institutions whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service and short-term obligations of the Federal National Mortgage Association and Government National Mortgage Association. The Authority's investments consist of Certificates of Deposit which are protected up to \$250,000 per bank by the Federal Deposit Insurance Corporation. No uninsured amount exists at December 31, 2010.

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

B. INVESTMENTS (Continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the concentration of an entity's investment in a single issuer. The Authority's policy is defined by Missouri statute and limits investments to obligations of the United States of America and its agencies; obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service; certificates of deposit which are either insured, secured by specified securities or issued by a bank or other financial institution whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service; repurchase agreements; obligations of banks and other financial institutions whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service and short-term obligations of the Federal National Mortgage Association and Government National Mortgage Association..

C. LEASE COMMITMENT

In January 2009, the Authority entered into a 6-year lease agreement for office space. The effective date of the lease is May 2009. Previous to 2009, the Authority leased office space at the same location under a seventy-two month office lease agreement that was entered into in April 1997 and amended April 2003. Future minimum lease payments under the lease is as follows:

Year Ending <u>December 31,</u>	
2011	\$ 76,555
2012	77,428
2013	78,301
2014	79,175
2015	<u>26,489</u>
Total	<u><u>\$337,948</u></u>

Rent expense was 75,107 and 76,105 for the years ended December 31, 2010 and 2009, respectively.

D. PENSION PLAN

The Authority has a defined contribution retirement plan covering all full-time employees. The Authority contributes to the plan, on a quarterly basis in arrears, an amount equal to twenty percent of each qualified employee's salary. Such contributions are fully vested. For the years ended December 31, 2010 and 2009, expenses under this plan were \$55,348 and \$53,219, respectively.

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

E. DEFERRED COMPENSATION PLAN

The Authority has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Authority employees who qualify under the plan terms, and permits employees to defer a portion of their salary until future years. As required by the Internal Revenue Code, the plan assets have been placed in a trust for the exclusive benefit of the employees and are not the property of the Authority or subject to the claims of the Authority's general creditors. Accordingly, the assets of the plan are not reflected in the financial statements.

F. NOTES RECEIVABLE

The Authority has made loans to school districts and small and rural providers of health and educational services at interest rates of 2.95% to 5.00% per annum on outstanding balances. These loans require monthly principal and interest payments and have a maturity of ten to twenty years.

At December 31, 2010 and 2009, the interest bearing notes receivable are as follows:

	Due	2010	2009
Citizen Memorial Healthcare	2019	\$ 360,690	\$ 394,418
Community Hospital	2013	57,729	77,869
Forest Institute of Prof. Psychology	2018	194,024	213,312
I-70 Medical Center	2015	105,888	125,545
Jordan Valley Community Health Center	2018	306,515	341,732
Katy Trail Community Health	2018	166,536	243,277
La Plata R-II School District	2017	290,413	326,054
Mexico #59 of Audrain County	2019	346,851	382,237
Miriam School & Foundation	2020	582,752	-
Nodaway-Holt R7 of Nodaway and Holt	2020	73,408	-
Northeast Missouri Health Council	2022	138,688	147,315
Northwest Health Services, Inc.	2012	23,056	40,492
Northwest Health Services, Inc.	2014	88,509	108,946
Preferred Family Healthcare	2010	-	14,716
Steelville R-3 of Crawford County	2018	309,771	345,742
Western Johnson County Health Clinic	2018	301,428	333,630
Total Notes Receivable		3,346,258	3,095,285
Current Portion		(425,680)	(359,390)
Notes Receivable, Non-Current		<u>\$2,920,578</u>	<u>\$2,735,895</u>

Missouri Health and Educational Facilities Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009
(Continued)

G. CONDUIT DEBT OBLIGATIONS

The Authority has issued debt obligations on behalf of certain non-profit institutions for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes or other obligations and the interest thereon do not constitute a debt or liability of the Authority, the State of Missouri or any political subdivision thereof, but are special obligations between the investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in Governmental Accounting Standards Board Interpretation No. 2, Disclosure of Conduit Debt Obligations. The number of issues and principal amount outstanding at December 31, 2010 and 2009 are as follows:

	2010		2009	
	Number of Issues	Principal Amount	Number of Issues	Principal Amount
Revenue Bonds Payable	131	\$ 7,188,730,932	137	\$ 7,036,943,220
School District Advance Funding and Private Education Notes Payable	2	9,200,000	8	35,895,000
Total	<u>133</u>	<u>\$ 7,197,930,932</u>	<u>145</u>	<u>\$ 7,072,838,220</u>

**SUPPLEMENTAL
INFORMATION**



**Independent Auditors' Report
On Additional Information**

To the Members of the
Missouri Health and Educational Facilities Authority
Chesterfield, Missouri

Our report on our audits of the basic financial statements of the Missouri Health and Educational Facilities Authority for the years ended December 31, 2010 and 2009 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Conduit Debt is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

Schmersahl Treloar & Co., PC

April 6, 2011

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
UNAUDITED December 31, 2010 and 2009

MORTGAGE AND REVENUE BONDS PAYABLE

The following revenue bonds of the Authority are collateralized by either or both of a pledge of the revenues of the borrowing institution or by first mortgages on the physical property financed with the proceeds of the debt offerings and by the Authority's assignment of its interest in the mortgaged properties to the trustees of the bond issues at December 31, 2010 and 2009:

PUBLIC PLACEMENT REVENUE BONDS PAYABLE

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2010	2009
Academie Lafayette	2003	2028	(1)	\$ 2,550,000	\$ 2,550,000
Ascension Health	2003	2026-2039	(1)	193,325,000	193,325,000
Ascension Health	2008C	2015-2026	(1)	102,050,000	102,050,000
Assemblies of God	2001	2026	(1)	-	44,300,000
Barstow School	2008	2010-2040	(1)	10,185,000	10,345,000
BJC-Barnes Hospital*	1985	1986-2015	(1)	-	19,900,000
BJC Health System*	1993	1994-2021	2.70-6.00	59,740,000	72,810,000
BJC Health System*	2003	2016-2033	4.125-5.25	221,000,000	221,000,000
BJC Health System*	2005AB	2015-2034	4.125-5.00	157,890,000	157,890,000
BJC Health System*	2008ABCDE	2014-2038	(1)	368,575,000	368,575,000
Bethesda Health Group Inc.*	2009	2010-2041	3.5	77,375,000	78,270,000
Capital Region Medical*	1998	1999-2028	3.35-5.30	18,875,000	19,510,000
Capital Region Medical*	2004	2005-2029	2.25-5.75	15,150,000	15,570,000
Children's Mercy Hospital*	2008AB	2009-2032	(1)	71,550,000	73,850,000
Children's Mercy Hospital	2009	2011-2039	2-5.625	181,485,000	181,485,000
Christian Brothers College HS	2002ABC	2032	(1)	40,000,000	40,000,000
Cox Medical Center*	1992	1995-2022	4.25-6.70	12,602,292	12,602,292
Cox Medical Center*	1993	1994-2015	2.60-5.35	22,890,000	26,500,000
Cox Medical Center	2008ABC	2011-2043	(1)	267,500,000	267,500,000
Deaconess Long-Term Care*	1996	1997-2016	(1)	11,510,000	13,630,000
Deaconess Long-Term Care*	2000	2001-2030	(1)	3,835,000	3,990,000
De Smet Jesuit High School	2002	2027	(1)	13,370,000	13,930,000
Drury University*	1999A	2000-2024	(1)	22,405,000	23,580,000
Drury University	2003	2028	(1)	4,770,000	4,770,000
Freeman Health System*	1994	1995-2024	4.50-7.20	38,555,000	40,365,000
Freeman Health System*	1998	1999-2028	4.15-5.25	13,435,000	14,890,000
Jefferson Memorial Hospital*	2004	2005-2028	2.30-5.25	33,045,000	34,025,000
Jefferson Memorial Hospital*	2005	2006-2020	3.00-4.50	4,590,000	5,245,000
John Burroughs School	2003	2004-2014	1.25-4.20	2,665,000	3,275,000
K.C. Univ. of Med. & Biosciences*	2001	2002-2031	2.75-5.00	7,055,000	7,255,000
Kansas City Art Institute	2005	2035	(1)	12,000,000	12,000,000
Lake Regional Health System*	1996	1997-2021	4.35-6.50	-	3,185,000
Lake Regional Health System*	1998	1999-2024	3.90-5.25	-	28,615,000
Lake Regional Health System*	2003	2005-2034	2.35-5.70	24,660,000	25,175,000
Lake Regional Health System*	2010	2010-2020	3-5	27,980,000	-

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
UNAUDITED December 31, 2010 and 2009
(Continued)

PUBLIC PLACEMENT REVENUE BONDS PAYABLE (Continued)

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2010	2009
Lutheran Church Extension Fund	2004A	2029	(1)	\$ 22,700,000	\$ 28,690,000
Lutheran Church Extension Fund	2007	2037	(1)	27,910,000	32,650,000
Lutheran HS Assoc. Project	2002	2022	(1)	3,140,000	3,800,000
Lutheran Senior Services	2000	2031	(1)	44,775,000	45,930,000
Lutheran Senior Services*	2005A	2024-2035	4.60-5.375	30,000,000	30,000,000
Lutheran Senior Services*	2005B	2006-2027	3.15-5.125	18,950,000	19,685,000
Lutheran Senior Services*	2007ABC	2008-2042	4.00-5.00	57,110,000	58,420,000
Lutheran Senior Services*	2008	2032-2039	(1)	50,000,000	50,000,000
Lutheran Senior Services*	2010	2010-2042	(1)	38,300,000	-
Maryville University*	2006	2007-2030	3.70-5.00	22,285,000	22,980,000
Maryville University*	2010	2010-2021	(1)	15,300,000	-
Missouri Baptist College	2010	2010-2035	4.7	23,530,000	-
Missouri Baptist College*	1998	1999-2023	3.90-5.15	-	2,770,000
Missouri Baptist College	2003	2022	(1)	-	7,420,000
Missouri Pooled Hospital Loan Program*	1999A	2002-2029	(1)	13,040,000	13,815,000
Missouri State University	2002	2003-2016	1.35-4.35	9,960,000	3,000,000
Mother of Good Counsel Home	2007	2037	(1)	10,000,000	10,000,000
Parkside Meadows*	2007	2008-2027	(1)	10,907,000	10,907,000
Pembroke Hill School*	1998	1999-2023	(1)	12,000,000	12,250,000
Pembroke Hill School*	2001	2002-2026	(1)	8,650,000	8,800,000
Ranken Technical College*	2007	2007-2031	(1)	14,425,000	15,350,000
Rockhurst High School*	1998AB	1999-2023	3.85-5.10	-	10,055,000
Rockhurst High School	2002	2027	(1)	-	5,500,000
Rockhurst High School	2006	2031	(1)	-	5,000,000
Rockhurst University*	1999	1999-2028	3.50-5.50	12,005,000	12,395,000
Rockhurst University	2002	2003-2032	(1)	22,790,000	23,460,000
SEMO University '10 A,B	2010	2010-2040	(1)	59,255,000	-
Sisters of Mercy	2001ABC	2031	(1)	378,300,000	378,300,000
Sisters of Mercy	2008ABC	2009-2019	(1)	88,425,000	99,725,000
Sisters of Mercy	2008DEFGH	2025-2039	(1)	300,000,000	300,000,000
Southwest Baptist University*	1998	1999-2023	4.15-5.40	4,705,000	4,950,000
Southwest Baptist University	2003	2006-2033	(1)	7,010,000	7,220,000
SSM Health Care*	1998	2002-2022	5.00-5.50	-	57,425,000
SSM Health Care*	2001A	2012-2028	5.25	-	28,210,000
SSM Health Care*	2002AB	2003-2020	(2)	80,675,000	80,675,000
SSM Health Care*	2005ABCD	2008-2035	(1)	327,025,000	583,335,000
SSM Health Care*	2008A	2020-2036	5.0	104,000,000	104,000,000
SSM Health Care*	2010BCDE	2010-2045	(1)	448,620,000	-
St. Anthony's Medical Center*	2005AB	2006-2030	(1)	75,200,000	77,650,000
St. Anthony's Medical Center*	2006AB	2009-2036	(1)	68,750,000	69,400,000
St. Francis Medical Center*	1996	1997-2026	(1)	10,890,000	11,605,000
St. John Vianney H.S.	2005	2030	(1)	4,000,000	4,000,000
St. John Vianney H.S.	2006	2018	(1)	3,500,000	3,500,000
St. Louis Charter School*	2002AB	2004-2023	4.25-5.10	4,850,000	5,090,000
St. Louis College of Pharmacy*	2006	2007-2027	3.20-4.40	39,545,000	41,175,000

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
UNAUDITED December 31, 2010 and 2009
(Continued)

PUBLIC PLACEMENT REVENUE BONDS PAYABLE (Continued)

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2010	2009
St. Louis Priory School	2009	2033	(1)	\$ 9,760,000	\$ 10,000,000
St. Louis University*	1998	1999-2018	4.00-5.50	26,950,000	31,960,000
St. Louis University	1999AB	2000-2024	(1)	41,560,000	43,640,000
St. Louis University	2002	2003-2032	(1)	8,175,000	8,175,000
St. Louis University*	2003A	2003-2016	(1)	4,910,000	6,365,000
St. Louis University	2008AB	2008-2035	(1)	166,515,000	168,250,000
St. Louis University HS	1999	1999-2028	2.95-5.00	4,215,000	4,215,000
St. Louis University HS	2007	2007-2028	3.75-4.25	14,175,000	15,145,000
St. Luke's Episc.-Presb. Hospital*	2001	2003-2026	3.35-5.25	53,835,000	56,935,000
St. Luke's Health System*	1996	1997-2026	4.00-5.375	-	22,230,000
St. Luke's Health System*	2003AB	2020-2032	(1)	125,000,000	125,000,000
St. Luke's Health System	2004A	2004-2019	2.00-5.00	63,165,000	68,620,000
St. Luke's Health System*	2005AB	2020-2035	(1)	100,000,000	100,000,000
St. Luke's Health System*	2007	2017-2036	4.50-5.00	54,210,000	54,210,000
St. Luke's Health System	2008ABC	2021-2040	(1)	140,000,000	140,000,000
St. Luke's Health System*	2010A	2010-2041	(1)	97,880,000	-
St. Pius-KC/St. Joseph Diocese	2004AB	2029	(1)	5,855,000	6,200,000
Stephens College*	1999	2000-2029	4.10-6.00	3,580,000	3,680,000
Stowers Institute	2000	2035	(1)	215,000,000	215,000,000
Stowers Institute*	2002	2032-2036	(1)	75,000,000	75,000,000
Truman Medical Center	2005	2014	(1)	8,400,000	8,400,000
Univ. of Missouri Arena Project*	2001	2004-2021	3.00-5.00	24,530,000	26,215,000
University of Central Missouri	1999	2001-2010	4.25-5.05	-	600,000
University of Central Missouri	2002	2003-2017	1.25-4.35	7,750,000	8,705,000
University of Central Missouri*	2009	2010-2029	1.5-5.05	19,745,000	20,500,000
Washington University	1996	2030	(1)	142,400,000	142,400,000
Washington University	1998A	2037	4.75-5.00	105,770,000	105,770,000
Washington University	2000ABC	2030-2040	(2)	88,000,000	88,000,000
Washington University	2001A	2011-2041	5.00-5.50	53,390,000	53,390,000
Washington University	2001B	2030	5.00	73,355,000	73,355,000
Washington University	2003A	2033	5.00	93,430,000	93,430,000
Washington University	2003B	2033	(1)	25,135,000	25,135,000
Washington University*	2004AB	2006-2034	(1)	90,500,000	92,600,000
Washington University	2005A	2006-2022	3.00-5.00	15,980,000	16,985,000
Washington University*	2007AB	2021-2041	4.20-5.00	230,995,000	230,995,000
Washington University	2008A	2018-2039	5.25-5.375	193,625,000	193,625,000
Washington University	2009A	2030-2039	4.5-5	93,770,000	93,770,000
Webster University	2001	2003-2027	3.625-5.50	27,875,000	28,895,000
William Jewell College*	2005	2006-2035	2.75-4.450	15,105,000	15,695,000
Total Public Placement Revenue Bonds Payable				<u>\$ 7,034,684,292</u>	<u>\$ 6,904,189,292</u>

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
UNAUDITED December 31, 2010 and 2009
(Continued)

PRIVATE PLACEMENT REVENUE BONDS PAYABLE

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2010	2009
Barat Academy	2007	2007-2037	5.95	\$ 12,500,000	\$ 12,500,000
Churchill School	2008	2009-2026	(1)	4,984,000	5,233,000
Cox Medical Centers	2007	2007-2017	4.32	3,527,961	3,981,485
Crider Health Center	2009	2010-2029	(1)	5,956,700	5,976,500
Dialysis Clinic	2000	2001-2020	(1)	2,500,000	2,700,000
Family Care Health Center	2001	2001-2021	6.53	-	2,348,651
Family Care Health Center	2010	2010-2020	3.31	2,255,034	-
Fr. Augustine Tolton	2010	2010-2017	(1)	7,075,000	-
Fontbonne College	2009	2010-2034	5.7	13,305,000	13,620,000
Forsyth School	1996	1996-2016	6.99	524,600	596,400
Forsyth School	2004	2006-2024	(1)	2,849,996	3,061,108
Kansas City Academy	1993	1993-2013	6.50	41,091	55,760
Lee's Summit Christian School	2010	2010-2030	(1)	9,365,000	-
Life Flight Eagle	2003	2004-2013	5.25	2,947,315	3,188,832
Life Flight Eagle	2007	2007-2017	4.30	2,498,650	2,694,546
Living Word Christian School	2002	2002-2027	(1)	3,761,510	3,915,610
Pembroke Hill School	2009	2010-2027	(1)	14,200,000	14,450,000
Preferred Family Healthcare	2009A	2009-2015	4.46	6,571,673	6,903,595
Preferred Family Healthcare	2009B	2009-2029	(1)	1,179,000	1,358,000
Rockhurst High School	2010ABC	2010-2036	(1)	19,965,000	-
SSM Health Care	2006	2006-2011	3.79	1,486,481	3,404,082
SSM Health Care	2007	2007-2012	3.56	3,703,399	5,718,676
SSM Health Care	2009	2009-2014	(1)	22,920,360	28,605,431
St. Anthony's Medical Center	2007	2007-2014	4.01	1,621,567	2,055,705
Truman Medical Center	2002	2003-2012	5.47	893,950	1,387,521
Truman Medical Center	2006ABC	2007-2018	5.20-5.435	6,516,037	7,996,339
University of Central Missouri	2007	2008-2017	4.90	897,316	1,002,687
Total Private Placement Revenue Bonds Payable				<u>154,046,640</u>	<u>132,753,928</u>
Total Revenue Bonds Payable				<u>\$ 7,188,730,932</u>	<u>\$ 7,036,943,220</u>

(1) Rate fluctuates within established minimum and maximum ranges.

(2) Interest rate range applies to a portion of this bond issue, and a variable rate applies to the remainder.

* Subject to mandatory redemption.

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
UNAUDITED December 31, 2010 and 2009
(Continued)

SCHOOL DISTRICT ADVANCE FUNDING AND PRIVATE EDUCATION NOTES PAYABLE

The Authority issues public school notes for the purpose of providing funds to purchase the tax and revenue anticipation notes ("TRANS") of certain Missouri school districts and to assist them in maintaining an orderly cash flow. These notes are collateralized by the "TRANS", bear interest at the rate of 2.00% per annum, and are issued pursuant to Indentures of Trust. At December 31, 2010, no public school notes were outstanding. There were no Public School Notes Payable outstanding at December 31, 2010. At December 31, 2009 Public School Notes Payable outstanding were \$20,195,000.

The Authority also issues private education notes for the purpose of providing funds, assisting in capital projects and maintaining orderly cash flows. The notes bear interest at a rate of 4.00% per annum, are issued pursuant to an Indenture of Trust and are secured by a pledge of the Trust Estate, using any and all available resources. At December 31, 2010 and 2009, total private education school notes outstanding were \$9,200,000 and \$15,700,000, respectively. The notes have a one year term and mature on April 23, 2010 and April 23, 2009, respectively.

At December 31, 2010 and 2009, the outstanding public school and private education notes payable were as follows:

	<u>2010</u>	<u>2009</u>
PUBLIC SCHOOL NOTES PAYABLE		
Clinton School District	\$ -	\$ 1,395,000
Independence School District	-	13,000,000
Liberty 53 School District	-	5,000,000
Logan-Rogersville R-VIII School District	-	800,000
	<u>-</u>	<u>20,195,000</u>
 Total Public School Notes Payable	 <u>-</u>	 <u>20,195,000</u>
 PRIVATE EDUCATION NOTES PAYABLE		
Central Methodist University	-	700,000
Drury University	4,000,000	4,000,000
Rockhurst University	5,200,000	5,500,000
William Jewell College	-	5,500,000
	<u>9,200,000</u>	<u>15,700,000</u>
 Total Private Education Notes Payable	 <u>9,200,000</u>	 <u>15,700,000</u>
 Total Public School and Private Education Notes Payable	 <u><u>\$ 9,200,000</u></u>	 <u><u>\$ 35,895,000</u></u>

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
 UNAUDITED December 31, 2010 and 2009
(Continued)

MATURITIES OF OUTSTANDING CONDUIT DEBT OBLIGATIONS

The aggregate maturities of the outstanding conduit debt obligations above at December 31, 2010, are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 135,986,595
2012	123,319,000
2013	114,225,920
2014	154,304,485
2015	158,248,595
2016-2020	764,001,602
2021-2025	891,727,408
2026-2030	1,352,380,116
2031-2035	1,582,744,381
2036-2040	1,647,892,830
2041-2045	<u>273,100,000</u>
Total	<u>\$ 7,197,930,932</u>

DEFEASED BOND ISSUES

Since 1983, certain institutions obtained financing to advance refund and defease their outstanding Revenue Bonds through the Authority.

Pursuant to the requirements of the bond loan agreements, the institutions have deposited amounts into escrow trust accounts sufficient to pay all outstanding principal, interest and redemption premiums as they become due. The amounts so transferred are pledged solely for the holders of the outstanding bonds.

At December 31, 2010, the following amounts of advance refunded and defeased bonds were outstanding:

<u>DEFEASED ISSUANCE</u>	<u>CALL DATE</u>	<u>2011</u>	<u>2006-2011 TOTAL</u>
Washington University '01A (part. def.)	6/15/2011	<u>\$58,100,000</u>	<u>\$58,100,000</u>

Due to the defeasance of these bond issues, the bonds payable balances are not included in the Schedule of Conduit Debt Obligations above.